

Message Text

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PAGE 01 SEOUL 09566 030947Z

70

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-07 AID-05 MC-02 OMB-01 IGA-02 TRSE-00 EB-07 /080 W

----- 105487

R 030834Z DEC 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 0846

INFO COMUS-K

CINCPAC

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E.O. 11652: N/A

TAGS: EGEN MASS KS

SUBJ: ROK DEFENSE SPENDING

REF: (A) STATE 289671, (B) SEOUL 7114, (C) SEOUL 7889,
(D) AMEMB/MAG 050822Z NOV 76

1. THE DISPARITY AMONG THE THREE DEFENSE/GNP RATIOS IS DUE TO THE FACT THAT THEY WERE DERIVED AT DIFFERENT TIMES; THUS THE DATA AVAILABLE DIFFERED. AT THE TIME, IN 1975, THE 7.3 ESTIMATE WAS CALCULATED, IT WAS ESTIMATED THAT 1976 REAL GNP GROWTH WOULD BE 7 PERCENT, AND THE DEFENSE BUDGET ESTIMATE WAS BASED UPON THE PROJECTED COST OF THE FORCE IMPROVEMENT PROGRAM. THE SECOND RATIO, 6.3, AS NOTED IN REF C IS THE ROKG FORECAST PUBLISHED AT THE TIME OF SUBMISSION TO THE NATIONAL ASSEMBLY OF THE SUPPLEMENTAL BUDGET FOR 1976. GNP ESTIMATE IS BASED UPON REAL GROWTH OF 11 PERCENT AND A GNP DEFLATOR OF 13 PERCENT.) THE THIRD NUMBER, 6.1, WAS OBTAINED BY USING THE EMBASSY ESTIMATE OF GNP FOR 1976 INCLUDED IN THE OCTOBER ECONOMIC TRENDS REPORT, WHICH IS BASED UPON OUR LATEST ESTIMATE OF REAL GNP GROWTH OF 15 PERCENT AND A GNP DEFLATOR OF 15 PERCENT. AS EXPLAINED IN REF D, THE DEFENSE BUDGET IS THAT WHICH THE MINISTRY OF NATIONAL DEFENSE PASSED TO JUSMAG-K.

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PAGE 02 SEOUL 09566 030947Z

2. WHILE IT MAY SEEM THAT THE ROKG WILL NOT BE ALLOCATING AS MUCH OF GNP TO DEFENSE AS ANTICIPATED, THE DECLINE IS A RELATIVE ONE ONLY AND IS ACTUALLY DUE TO THE UNFORESEEN SHARP GROWTH OF THE KOREAN ECONOMY. ALSO, IT SHOULD BE NOTED THAT DEFENSE SPENDING IN 1976 INCREASED BY 59 PERCENT OVER THAT OF 1975 AND THE SHARE OF GNP DEVOTED TO DEFENSE WAS 5.1 PERCENT IN 1975 AND 4.4 PERCENT IN 1974.

3. WE ARE PRESENTLY IN THE PROCESS OF UPDATING THE KOREA MILITARY ASSISTANCE PROJECTION AND WILL DIGJMTION IN IT TO SEEKING TO ANSWER THE OTHER QUESTIONS RAISED IN REF A., SNEIDER

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